

AN ACT

RELATING TO FISCAL ESTIMATES; CREATING A DYNAMIC FORECASTING PILOT PROJECT TO USE ASSUMPTIONS ON BEHAVIORAL RESPONSES IN ESTIMATING THE FISCAL IMPACT OF CERTAIN LEGISLATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 2-5-4.1 NMSA 1978 (being Laws 1979, Chapter 229, Section 1) is amended to read:

"2-5-4.1. LEGISLATIVE SYSTEMS--COORDINATION WITH OTHER AGENCIES--FISCAL IMPACT INFORMATION--DYNAMIC FORECASTING PILOT PROJECT.--

A. The legislative finance committee shall cooperate with the office of the governor, the department of finance and administration and the taxation and revenue department in designing a timely and accurate system of providing fiscal impact and other pertinent information to the legislature concerning pending legislation.

B. Beginning January 1, 2004, a two-year dynamic forecasting pilot project shall be conducted by the legislative finance committee, the department of finance and administration, the taxation and revenue department and the state highway and transportation department in which fiscal impact information provided to the legislature concerning legislation that proposes one or more changes to laws on taxation shall be prepared on the basis of assumptions that estimate the probable behavioral response of taxpayers, businesses and other persons to the proposed changes. This requirement applies only to legislation:

(1) introduced during the second session of the forty-sixth legislature and the first session of the forty-seventh legislature; and

(2) determined by the legislative finance committee, pursuant to a static fiscal estimate, to have a fiscal impact when fully implemented in excess of ten million dollars (\$10,000,000) in a fiscal year.

C. The legislative finance committee shall cooperate with the department of finance and administration and other necessary executive agencies to develop the methodology to implement the dynamic forecasting pilot project pursuant to the requirements of Subsection B of this section.

D. Following the first session of the forty-seventh legislature, the legislative finance committee shall evaluate the success of the dynamic forecasting pilot project required by Subsection B of this section and determine if dynamic forecasting should become a permanent feature of fiscal impact analyses. In making this determination, the legislative finance committee shall consider if this process:

(1) provides a reliable and reasonably accurate analytic tool to aid legislators in determining the effect of proposed legislation;

(2) can be accomplished with a reasonable amount of resources; and

(3) can be incorporated into fiscal impact estimates in a form that is easily understood and usable."